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GENERAL

1. Possibility of hoax in "ghost rocket" reports--The Military and Naval Attaches in Stockholm, reserving final judgment, have jointly developed the theory of a Swedish "unintentional hoax" which they believe worth consideration with respect to reports of rockets over Sweden. The Attaches think that the Swedish Defense Staff have tacitly sponsored a hoax in order to alert the "West against the East" and to support the Swedish defense budget. Although Swedish official statements have been scrupulously correct and have denied evidence of rockets, little else has been done to allay public concern or counteract the conclusion that Soviet rockets are actually being seen. Some unofficial statements may, therefore, have been "plants."

The rapid deterioration of West-East relations, including the US "ultimatum" to Yugoslavia, however, has now raised the danger that Sweden could be charged with contributing to the break-down in great-power relations. This may explain the newly discernible tendency toward Swedish frankness.

2. Soviet activity at Peenemuende--General McNarney transmits reliable reports of (a) increased activity in Peenemuende during May and June, (b) restoration of ferry and rail connections to Peenemuende, and (c) the presence at Peenemuende of a Soviet Technical Commission, apparently engaged in the restoration of damaged facilities and preparations for later removals to the USSR.
3. Vienna-Udine flights resumed with armed B-17's--Secretary Byrnes has authorized the resumption of Vienna-Udine flights. Single armed B-17's will be used; pilots will be instructed carefully to avoid Yugoslav territory and to turn back when faced with adverse weather, but to take "necessary defensive measures" should Yugoslav planes leave Yugoslav territory and enter the US route.
4. Chief of Czech Staff on hurried visit to Moscow--US Military Attache Prague reports that General Bocck, Chief of Staff of the Czechoslovak Army, has hurriedly left Paris for Moscow with twelve staff officers, the trip is connected with the US note to Yugoslavia.

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5. US Embassy Ankara urges Straits revision initiative be left to USSR--
US Ambassador Wilson believes that the US and UK should avoid taking the initiative to convoke a conference to revise the Montreux Convention and should leave such a move to the USSR. He adds that the US, UK and Turkey are of course committed to attend such a conference.
6. USSR suggests adding current German production to reparations--
According to Caffery, Marshal Sokolovsky has informally suggested to General Clay that current production might be added to the German reparations program and dismantling of German industry be postponed for perhaps ten years. US Ambassador Smith believes this suggestion results from Soviet "indigestion of capital goods obtained as war booty and reparations" and Soviet need for "current production items."

EUROPE-AFRICA

7. USSR: Long-range bomber force in Kuibyshev area--US Military Attache Moscow believes recent evidence establishes the presence near Kuibyshev of long-range bomber units which are thought to be re-equipping and training there pending the development of bases in western USSR.
8. GREECE: Approval of US Navy courtesy visit requested--Acheson has directed US Embassy Athens to request Greek approval of a courtesy visit, before the Greek plebiscite, by the carrier ROOSEVELT, the cruiser LITTLE ROCK and five US destroyers.
9. FRANCE: Bidault reported dropping role as conciliator--Caffery has been told by a "very close" associate of Bidault that the latter (a) no longer feels that France can best serve her interests by acting as a conciliator between the USSR and the Western Powers, and (b) hopes, if he continues in power in the new Government, to eliminate Communist participation "within five or six months."
10. RUMANIA: Berry seeks US decision on elections--US Political Representative Berry believes that the US must decide at once whether it will

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recognize the results of the forthcoming elections, no matter how fraudulent, or will insist on elections which are free according to US interpretations. Berry considers that if the US plans to follow the first course, it should so inform the opposition parties who are risking their lives on US good faith; otherwise it should immediately warn Rumanian representatives in Paris that it will pursue the second course.

11. BULGARIA: Torture of former Army commander--US Mission Sofia has been "reliably informed" that General Stantchev, wartime commander of the Bulgarian Second Army, is now undergoing "extreme beatings and torture" to force him to denounce the "purged" War Minister Veltchev (see Daily Summary of 8 August, item 7) and other political and military leaders who have opposed the Fatherland Front regime.
12. IRAN: Negotiations with Azerbaijan not progressing--US Ambassador Allen reports that chances of agreement in the current negotiations between the Iranian Government and Azerbaijan "are very small." Qavam apparently still intends to employ force if necessary to bring Azerbaijan under control but is not cheerful over the prospect.

FAR EAST

13. JAPAN: Repatriation from British-controlled areas--SCAP strongly disapproves the British proposal to retain 91,000 Japanese in SEAC areas until the end of 1947. SCAP contends that the proposal violates the Potsdam Declaration, increases the burden of the occupation, and establishes an undesirable precedent in future negotiations with the USSR and the NEI. He continues to recommend 31 December 1946 as the target date for repatriation.
14. INDOCHINA: Increase in French troop strength--US Consul Saigon reports that the French are bringing more troops into Indochina than are being returned to France and that many jeeps and trucks bought by the French from surplus property still bear US Army and Navy markings.

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